

until it has an opportunity to review what, if any, additional information is filed in the current comment round. For the time being, it is enough to note that all available implementation cost estimates are enormous. Even the lowest one contemplates the expenditure of hundreds of millions of dollars for industry-wide BPP implementation. Id. Moreover, available estimates significantly understate actual implementation costs. None of them includes the direct costs BPP will generate by wiping out smart CPE investments, forcing OSPs to issue or reissue calling cards, or requiring everyone to undergo another round of presubscription balloting. Nor do such estimates include the indirect (but very real) costs BPP will generate by reducing technological innovation and competition in the 0+ marketplace. These costs must be factored into any valid BPP cost estimate.

Since available access code dialing conventions already provide consumers the means of reaching their preferred carrier, every penny spent to obtain this capability via BPP is a deadweight economic efficiency loss. Ratepayers will gain nothing by shouldering such burdens.

**B. Presubscription Will Be A Nightmare  
For Consumers and Competitors Alike**

The Commission contemplates implementing BPP through a presubscription process. See Notice at ¶¶ 33, 35. This process is a potential nightmare for consumers, carriers and the Commission alike. Most likely, it could not be conducted in a fair and nondiscriminatory manner. These deleterious results

provide another reason for not moving forward with BPP implementation.

0+ presubscription would not be a trivial exercise. As noted previously, 0+ services are provided to consumers away from their home or office, and generally far enough away to be outside the LATA in which they live or work. In order for a consumer to make an informed choice through presubscription, he or she would need to be made aware of the availability of 0+ providers in every LATA in the country. A presubscription ballot listing all such possibilities likely would rival the size of a telephone book. It would be expensive just to print such a document, and even more expensive to administer the entire presubscription process.

From a consumer's viewpoint, the presubscription process is likely to be nothing short of bewildering. Deciphering a book-length presubscription ballot would be a monumental task even for someone familiar with the 0+ market. It is outside the bounds of reason to expect a typical consumer to perform such a task. More likely, consumers would throw up their hands and not respond to the ballot at all.

Presubscription also would present a daunting challenge to OSPs. As noted previously, they would have to secure the resources needed to participate in the presubscription process in every LATA simultaneously. Moreover, they would need additional resources to participate in what are likely to be multiple Commission proceedings relating to 0+ presubscription issues. This is the history of 1+ presubscription, a relatively less

complex process that was initiated in 1983 and is still on-going. <sup>15/</sup> Given the economic consequences of presubscription, there is every reason to believe that the 0+ presubscription process will be every bit as contentious as occurred in the 1+ arena.

The Notice implies that one possible response to the difficulties of 0+ presubscription would be to simply default consumers to their 1+ carrier. Notice at ¶ 33. This proposal should not be adopted, for three reasons. First, it will not work. Many 1+ carriers do not offer 0+ service, so it is impossible for anyone to default to them. Second, the proposal is based on the incorrect assumption that all 0+ customers are presubscribed to 1+ carrier. The millions of foreigners who visit the United States each year are just one category of 0+ customers who do not fit this profile. <sup>16/</sup> Third, the Commission determined in the 1+ presubscription process that default options similar to the one proposed in the Notice deny consumers the ability to take advantage of competition and unreasonably favor entrenched

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<sup>15/</sup> For a review of initial Commission and MFJ-court decisions pertaining to 1+ presubscription, see Investigation of Access and Divestiture Related Tariffs, 101 FCC 2d 911, 912-13 (1985) ("1+ Allocation Order"). More recently, the Commission adopted rules to prevent carriers seeking presubscription converts from "slamming" consumers. See Policies and Rules Concerning Changing Long Distance Carriers, 7 FCC Rcd 1038 (1992).

<sup>16/</sup> Although individuals that are not presubscribed to a 1+ carrier may represent only a fraction of all consumers, such individuals comprise a significant percentage of 0+ users at particular locations. For example, millions of foreigners visit Disneyland or Washington, D.C. each year.

carriers. <sup>17/</sup> There is no record basis for adopting a different conclusion with regard to 0+ presubscription.

#### **IV. BPP IS DIVERTING ATTENTION AWAY FROM FAR MORE IMPORTANT 0+ MARKET ISSUES**

The Commission possesses extensive record evidence that BPP is a poorly conceived idea that, if adopted, will harm consumers and competition substantially. There is no justification for the Commission to waste any more resources pursuing this idea. Doing so actually is harmful because it prevents the Commission and the industry from applying their scarce resources to numerous pending 0+ issues that are far more important to competition and consumer well being than BPP.

For example, the Public Telecommunication Council's petition to remove LEC pay telephones from regulated rates bases has been pending at the Commission for more than three years. Favorable Commission action on that petition will eliminate one of the most egregious aspects of the currently asymmetrical regulation of LEC and competitive pay telephones. Intellicall urges the Commission to take such action as quickly as possible.

Intellicall also urges the Commission to act quickly on the CIID card issue pending in another phase of the instant proceeding. As Intellicall and others have demonstrated in that phase, AT&T continues to flood the nation with CIID cards and mislead consumers about how they can best exercise their freedom of selecting a 0+ carrier. Absent Commission action on this

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<sup>17/</sup> See 1+ Allocation Order, 101 FCC 2d at 919.

issue in the near future, AT&T's attempts to remonopolize the "0" market may succeed to a nearly irreversible degree.

Prompt Commission action on pending "0" issues that are directly related to today's marketplace, such as the PTC petition and CIID cards, will benefit consumers and competition to a far greater extent than spending additional resources on BPP.

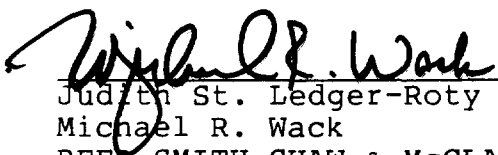
#### CONCLUSION

For the reasons discussed herein, Intellicall urges the Commission to take no further action regarding BPP other than to dismiss the Bell Atlantic rulemaking petition that seeks to force BPP on consumers and competitors.

Respectfully submitted

INTELLICALL, INC.

By

  
Judith St. Ledger-Roty  
Michael R. Wack  
REED SMITH SHAW & McCLAY  
1200 18th Street N.W.  
Washington, D.C. 20036  
(202) 457-6100

Its Attorneys

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EXHIBIT 1

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### DESCRIPTION OF ADVANCED PAY TELEPHONE OPERATIONS

Transient telephone users potentially have three options for placing calls from pay telephones. The first option is to pay by coin at the time the call is placed. Such calls are known as "sent-paid" calls. The second option is to pay by credit card, either a commercial card like MasterCard or VISA, or a calling card issued by a telephone company. The third option is to charge the call to a number other than the one from which the call is placed. Such calls may be charged to the called party (i.e., a collect call) or to a third party (i.e., third party billing). Credit card, calling card, collect and third party calls are known as "non-sent-paid" calls.

Pay telephone providers using Intellicall's equipment are able to provide these options to consumers in ways distinctly different -- and equally or more socially beneficial -- than employed by LECs and interexchange carriers ("IXCs"). Such benefits flow from the unique technological capabilities of Intellicall's products, which perform automated call completion functions through the use of circuit boards contained within the equipment. Circuit boards enable private pay telephone providers to offer consumers a wide array of services and functions without the need or expense of "human" operators or the same degree of telephone network usage as that required by LEC pay telephones.

In 1988, Intellicall introduced its Intelli\*Star™ system, a third generation pay telephone which uses "store-and-forward" technology. <sup>1/</sup> The term "store-and-forward" refers to the pay telephone's ability to temporarily "store" information on such matters as length, date and time of the call and billing number, and, at a later time, "forward" this information to remote locations for call rating and billing and collecting.

Intelli\*Star™ employs the latest state-of-the-art microelectronics to permit the automation of both sent-paid (coin deposits) and non-sent-paid (calling card and collect) telephone calls. At a surface level, the dialing conventions in the Intelli\*Star™ system are the same as with other pay telephones. If the caller wishes to place a call on credit, the caller dials "0" plus the

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<sup>1/</sup> The Intelli\*Star™ circuit board and sophisticated software are available as an optional upgrade to Intellicall's first and second generation pay telephones already in the field. Using similar technology ("Intelli\*Max"), Intellicall also manufactures PBX adjunct devices. These devices allow the hospitality industry to handle calls billed to their guests' rooms.

called number. The called number would be either a seven- or ten-digit number, depending upon whether it is intraLATA or interLATA. The Intelli\*Star™ instrument generates the now-familiar "bong tone." The bong tone prompts the caller to enter the caller's calling card number. Under certain circumstances, the Intelli\*Star™ system can be programmed to accept credit cards issued by banks or other financial institutions. Financial credit card capability is an option that is available to pay telephones that are specially equipped to read the magnetic strip on the credit card.

If the caller does not respond to the bong tone, a pre-recorded voice prompt instructs the caller to enter his or her calling card information, or dial "1" for a collect call or "3" for an operator. If a calling card number is entered, a validation inquiry is launched over the public switched telephone network ("PSTN") to one of several authorized databases. If the validation database verifies the credit account, the Intelli\*Star™ telephone completes the call over the PSTN through the LEC serving office. When the called party answers, the pay telephone generates a record containing the date, time, duration and type of call (local, intraLATA, interLATA or interstate), the account number and originating and terminating numbers.

The Intelli\*Star™ telephone has an automated collect call feature termed "E\*Z Collect™." If the caller dials "1" in response to the first prompt, E\*Z Collect™ requests and records the caller's name. When the called party responds, a prerecorded voice, using the caller's name and the caller's own prerecorded voice, announces a collect call. The called party is prompted to dial "1" if he or she wishes to accept the call or, if not, to dial "0" and hang up. Intellicall has begun production of a voice recognition system. This system will be able to act upon verbal responses, such as "yes" or "no."

The billing information for completed non-sent-paid calls is stored within the Intelli\*Star™ instrument. It is periodically downloaded over the PSTN to a central clearing house, where the information is combined with the records of many COPTs. This information is then sent directly to LECs within whose territory the billed number is located for billing and collection.



EXHIBIT 2

# Technology Timeline

